



**Date:** January 4, 2016

**To:** Thomas J. Bonfield, City Manager

**Through:** Wanda S. Page, Deputy City Manager

**From:** David Boyd, Finance Director  
Sue Sandhoff, Financial Operations Manager

**Re:** Contract for Collection Agency Services

**Executive Summary**

In September 2015, the Finance Department issued a request for proposal (RFP) for the services of a collection agency, and six responses were received. The collection agency will assist the City in the collection of delinquent utility and general billing accounts. Based on the evaluation completed by personnel representing the Finance, Water Management, and EO/EA Departments, it is recommended that the City continue to use the services of Professional Recovery Consultants, Inc. (PRC) as the City's collection agency for a three year contract with two one-year renewals at the City's option. The contract will contain a termination clause that will allow the City to terminate the contract, with notice, at its convenience. PRC has been the City's collection agency for four years and has met the City's needs by performing the services outlined in their contract.

**Recommendation**

The Finance Department recommends that the City Manager or his designee be authorized to enter into a contract with PRC for collection services in the estimated amount of \$165,000.00 for a period of three years with two one-year renewals at the City's option.

**Background**

Retaining the use of a collection agency was the result of an audit recommendation focusing on the collection of revenues from water and sewer fees, stormwater fees, and solid waste fees. The use of a collection agency for delinquent receivables is considered a best practice in the utility industry. The City first contracted with PRC in July 2011, and they have provided services for delinquent accounts, collecting over \$1,300,000.00 since that time.

Once accounts have aged to 120 days and internal collection efforts have been exhausted, they are transferred to PRC. The accounts are not limited to one type of bill and may include delinquent water and sewer utility bills, assessments, false alarms, City/County inspections fees, landfill tipping fees, civil penalties, and weedy lot board and clean.

PRC is authorized to use any collection methods allowed by law under the Fair Debt Collection Practices Act (FDCPA). These methods may include written communication, telephone calls, skip tracing, credit reporting, and litigation.

### **Issues/Analysis**

There were six responses to the RFP, which were evaluated based on the following criteria:

- Understanding of the collection project expectations
- Methodology used for collection services
- Management plan for collection services
- Experience and qualifications
- Cost of services provided

A summary of the six proposals evaluated is as follows:

<u>Agency</u>	<u>Fee Proposal</u>	<u>Rating</u>
Professional Recovery Consultants, Inc.	18.45%	96
PennCredit	17.5%	89
MSB Government Services	19%	88
I.C. System, Inc.	18% - 34%	76
Harvard Collection Services, Inc.	18% - 23%	72
Security Collection Agency	28%	58

Pricing was favorable for three of the proposals submitted; however, the evaluation committee believes that PRC is best suited to help the City maximize collection of delinquent accounts. They have proven to be successful in providing the services to date, and have begun supporting placements of additional billing segments. Of all the responses received, PRC is most knowledgeable of the local area and has worked in the area previously.

PRC has extensive experience collecting delinquent utility accounts. Their current and former client list includes the City of Charlotte, City of Raleigh, Union County, NC, Branch Banking & Trust, Georgia Department of Revenue, and UNC Hospital System. In addition to being a locally owned and operated company, PRC is Professional Practices Management System (PPMS) certified by the Association of Credit and Collection Professionals (ACA). PRC is one of fewer than 90 agencies in the world that have achieved and maintained this quality control and compliance certification.

### **Alternatives**

The use of collection agency services is considered a best practice in the utility industry and provides necessary services to support collection of delinquent accounts. There are no good alternatives to contracting for these services.

The City could sign a contract with one of the other firms that submitted responses to the RFP; however, based on the committee's evaluation and prior experience with PRC, the expected results would be lower than what PRC will achieve.

### **Financial Impact**

Funding for this contract is made available from the revenues collected. PRC only receives payment when they are successful in the collection of delinquent accounts. The contract uses a revenue sharing model that covers the cost of services, and compensates PRC at a rate of

18.45% of the amount collected. In prior years the fee for collection services has averaged \$55,000.00 annually. While the actual cost of the contract is dependent upon collections, it is estimated that PRC's share of the delinquent account revenue collected would be \$165,000.00 over the three year life of the contract (\$55,000.00 per year for three years).

### **SDBE Summary**

The Equal Opportunity/Equity Assurance Department reviewed the bid submitted by PRC and has determined that they are in compliance with the Ordinance to Promote Equal Opportunities in City Contracting.

### **SDBE REQUIREMENTS**

There were no SDBEs to provide this service.

### **WORKFORCE STATISTICS**

The workforce statistics for PRC are as follows:

#### **PRC**

Total Workforce	96	
Total Females	66	69%
Total Males	30	31%
Black Males	9	9%
White Males	19	20%
Other Males	2	2%
Black Females	42	44%
Other Females	8	8%